

Questions and answers about the memorandum of understanding between the San Diego County Water Authority and the Imperial Irrigation District

Q. What is the memorandum of understanding (MOU)?

A. The MOU is an agreement to hold further discussions regarding a long-term transfer of conserved water from the Imperial Irrigation District (IID) to the San Diego community. The goal of the discussions is to reach mutually beneficial terms regarding the duration, amount, price, and other key terms of the transfer.

Q. Why are you considering formal discussions that may lead to a water transfer arrangement with IID?

A. The Authority has an obligation to evaluate water resource alternatives that are potentially secure and prudent. The region's economic prosperity depends on securing a long-range, permanent and diversified water supply rather than relying primarily on one source as we do now. Our main supplier — the Metropolitan Water District of Southern California (MWD) — has a plan that encourages its member agencies to develop their own water sources. The Authority is doing this. Consideration of a water purchase arrangement with the Imperial Irrigation District (IID) is part of this effort.

Q. Would the transfer arrangement be made with IID itself or individual water-users?

A. The Authority's dealings would be solely with IID. This agency holds in trust the Colorado River rights of landowners within its service area in the Imperial Valley.

Q. Why have the parties agreed to the MOU?

A. Both IID and the Authority view a transfer of conserved water as a win-win solution to their respective challenges.

The Imperial Valley enjoys one of the largest and most senior legal entitlements to water from the Colorado River, yet suffers from severe economic challenges, including but not limited to:

- A depressed agricultural economy, further devastated by the whitefly infestation.
- The second lowest per-capita income in the state.
- An unemployment rate exceeding 30 percent.

Consequently, IID is actively seeking ways to conserve a portion of its water for a transfer that can bring much needed capital to the Valley's landowners and residents.

San Diego County has a much more diversified and robust economic base than the Imperial Valley. A firm, reliable water supply is of paramount importance to preserving San Diego's economic strength. The county, which typically imports 90 percent of its supply from MWD, is subject to:

- Drastic cutbacks in drought years.
- The risk of ever-increasing costs from MWD over which the Authority has little control.

Given these respective challenges, the IID and the Authority are natural trading partners.

Q. What is the desired outcome from the MOU?

A. The ultimate goal is to reach a consensus on the terms of the transfer that meets both parties' goals.

For *San Diego County*, the goals include:

- Securing a long-term, reliable water supply.
- Putting in place a permanent "insurance policy" against the devastating impact of drought.
- Safeguarding the region's businesses and jobs for the benefit of area families.
- Controlling its destiny by meeting its planning challenges "head on" at its own expense.
- Guaranteeing the cost of its future water supply to facilitate planning and financing.
- Reducing its reliance on Los Angeles-based MWD, where the Authority holds only 15 percent of the voting rights despite purchasing 25 to 30 percent of the District's water.

For the *Imperial Valley*, the goals include:

- Recapitalizing the agricultural economy.
- Stimulating diversified investments in the local economy.
- Providing direct assistance to the community, possibly in the form of lower power rates (IID provides power as well as water service to the Valley).
- Solving the increasingly expensive problems caused by the rising level of the Salton Sea.

Q. Is the transfer legal?

A. Yes. California law not only allows but encourages water transfers. In addition, IID has already entered into transfer agreements in the last 10 years. The IID board recently passed a resolution to actively seek mutually beneficial transfers.

Q. What is the timeframe of discussions?

A. Discussions will likely take place over the next three to six months (from September 1995).

Q. Will a transfer require construction of a pipeline from the Imperial Valley to San Diego?

A. Not necessarily, given California's wheeling legislation and the size of MWD's firm entitlement to Colorado River water. The focus of these discussions is to secure a legal entitlement to firm, reliable water supplies for San Diego, while providing fair compensation to the Imperial Valley. Facilities and conveyance planning will be evaluated along with other elements of the transaction. A number of options exist for conveying the conserved water to San Diego, including a pipeline, and all will be evaluated.

In thinking about conveyance, it is important to keep in mind that the Colorado River Aqueduct (CRA) has a capacity of 1.3 million acre-feet of water per year. MWD is using the aqueduct to convey 700,000 acre-feet per year that the District does not have a firm right to use (the water belongs to Arizona and is currently surplus, but Arizona increasingly will need to use it). MWD only has a firm entitlement to roughly 500,000 acre-feet annually. As such, there may well be sufficient capacity in the CRA to "wheel" (or convey) the transferred water. In addition, the California Legislature has approved legislation that allows and encourages wheeling over existing water conveyance facilities.

Q. What will the impact be on San Diego County?

A. Extremely positive. San Diego County's economic well-being rests on a foundation of water. The Authority has imported water to meet the San Diego region's needs for a half-century. But the county's imported water sources have grown increasingly unreliable in recent years, for a variety of reasons. Through a water transfer arrangement with IID, the Authority will:

- Secure a long-term, reliable water supply for the San Diego region.
- Obtain a permanent "insurance policy" against the impact of drought and emergencies that interrupt normal imported water deliveries.
- Allow the region to control a substantial element of its own destiny.
- Guarantee the future cost of water, which in turn will facilitate financial and resource planning efforts.

Q. How would a transfer arrangement affect water rates in San Diego County?

A. It is too early to estimate the impact on water rates. A study will be conducted to assess all aspects of a potential transfer agreement with IID.

Q. What will the impact be on the Imperial Valley?

A. Extremely positive. The valley will remain one of the largest and most productive agricultural regions in the world. IID expects that participating landowners will voluntarily conserve a small portion of their water — say, one of every six acre-feet used historically per acre — through on-farm conservation methods that make the most economic sense.

The proceeds of transfers may be used to:

- Recapitalize the agricultural operations of landowners.
- Stimulate capital investments in non-agricultural enterprises.
- Assist the community, possibly through lower power rates.

Q. Will the transfer result in fallowing?

A. Permanent retirement of land is not contemplated presently by IID. It is important to keep in mind that temporary fallowing and crop rotation occur routinely in the Imperial Valley. Given the economic productivity of much of the Valley's land, however, investments in new irrigation technology and other conservation techniques are more profitable to landowners than fallowing, since they can conserve water and still keep valuable crops in production. Therefore, IID expects that Imperial Valley farmland will stay in production. Water will be conserved through on-farm conservation techniques that make the most sense to the individual farmer, given the land characteristics, crop type, etc. For example, IID anticipates that with resources to invest in conservation techniques and equipment, a farmer would be able to reduce average water use from six acre-feet to five acre-feet per acre, while maintaining or actually improving crop yields.

Q. What will the impact be on the state of California?

A. Extremely positive. By increasing the reliability of water supplies for San Diego County and providing an economic stimulus to the Imperial Valley, the long-term transfer will strengthen the Southern California economy. The transfer also may increase the likelihood of a timely resolution to the ongoing CALFED Bay-Delta process. By providing a Southern California solution for a major Southern California water supply problem, the long-term transfer may help to facilitate an eventual resolution of

the Bay-Delta's environmental problems. As the transfer agreement reduces the amount of Northern California water exported to Southern California, it will make more water available to meet the needs of Northern California and the Central Valley. This reduction in North-to-South "exports" may make it easier to obtain approval and financing for a through-Delta facility.

In addition, the transfer relieves tremendous pressure on:

- MWD, by reducing the growing demands on MWD's limited entitlements.
- MWD member agencies, by reducing demands on existing entitlements.

Q. Would a transfer agreement with IID affect ongoing Authority projects such as the Emergency Water Storage Project and Pipeline 6?

A. All ongoing Authority projects play a part in our mission to provide a safe and reliable water supply to meet the region's current and future needs. The Emergency Water Storage Project will provide a local water supply to meet emergency needs in case the long supply lines of imported water from the Colorado River and Northern California are interrupted. Pipeline 6 is intended to better allow the Authority to import water from the MWD delivery system. Even if a water transfer is arranged with IID, we fully intend to continue our long-standing relationship with MWD for a significant portion of our water supplies. Our goal in a water transfer agreement with IID would be to provide a larger and more diversified water supply to meet the San Diego region's needs. If it is determined to be feasible, any water transfer agreement with IID, along with the necessary delivery system, would be tailored to integrate with other Authority projects for the community's maximum benefit.

Q. How would the transfer agreement with IID affect the Authority's relationship with the Metropolitan Water District?

A. Through its Integrated Resource Plan, MWD encourages the Authority and its other member agencies to develop their own water sources. The Authority welcomes the opportunity to become more independent of MWD for water supplies. However, the Authority does not intend to terminate its long-standing membership in MWD and will continue to rely on the District for a significant portion of San Diego County's water supplies. We are considering the possibility of water transfers from the Imperial Valley as the potential means of gaining more control of our destiny. That is why the Authority has in recent years evaluated a number of resource options both inside and outside of San Diego County and California. Consideration of a water purchase agreement with IID is part of this ongoing process.

Q. Would an agreement with IID encourage or accommodate population growth in San Diego County?

A. The main reason for a water purchase agreement with IID is to ensure a safe and reliable water supply to meet the region's needs; to provide protection against drought for municipal, residential and agricultural users; and to safeguard local industry and jobs. If an arrangement with IID is approved, it will allow San Diego to become more independent and have more control over its destiny. Utilizing this water source, as opposed to any other water source, will not change the demand for water. The Authority relies on SANDAG to determine population projections.

Summary points concerning MOU

Benefits to San Diego County

- Provides drought protection for San Diego County, safeguarding businesses and jobs that drive the economy.
- Gives the San Diego region control over a substantial element of its own destiny.
- Provides long-term cost certainty for the water supply that is essential for planning and financing.

Benefits to the Imperial Valley

- Provides an economic stimulus to the Imperial Valley, which currently suffers from an unemployment rate exceeding 30 percent and the has the second lowest per-capita income in the state.
- Provides a much-needed source of capital for the depressed agricultural sector.
- Creates funds for economic assistance to the community, possibly in the form of lower power rates.
- Provides an immediate program to assist in reducing the level of the Salton Sea.

Benefits to the state

- Serves as a "model transfer" and complies with state laws and public policies.
- Offers a compelling "southern solution to southern problems" — a powerful political attribute given the state's water history.
- Will reduce the amount of Northern California water required to be exported to Southern California, lessening the strain on Northern California's agricultural sector and its environment.
- Will improve the economic base of both San Diego County and the Imperial Valley.
- Increases the likelihood of a timely resolution to the Bay-Delta negotiations.

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9/25/95